

*Counter part*

May 3, 1996 RECORDATION NO. 20051 FILED 1425  
MAY 7 1996 12 00 PM  
INTERSTATE COMMERCE COMMISSION

MAY 7 11 58 AM '96

RECEIVED  
SURFACE TRANSPORTATION  
BOARD

Mr. Vernon A. Williams, Secretary  
Surface Transportation Board  
Twelfth Street & Constitution Avenue, N.W.  
Washington, DC 20423

Re: \$13,000,000 9.47% Senior Secured Notes  
Due April 30, 2006 of  
Dakota, Minnesota & Eastern Railroad Corporation

Dear Mr. Williams:

I am enclosing for recording pursuant to Section 11301 of Title 49 of the United States Code, two copies of the primary document described below. As one of the attorneys in the above-captioned transaction, I have knowledge of the matters described in this letter.

The primary document is as follows:

Memorandum of Security Agreement, dated as of May 3, 1996, between Dakota, Minnesota & Eastern Railroad Corporation, a Delaware corporation (the "*Company*"), and Norwest Bank Minnesota, National Association, a national banking association (the "*Trustee*"), and Raymond S. Haverstock, an individual (the "*Individual Trustee*"), as trustees (collectively, the "*Trustees*").

The names and addresses of the parties to the enclosed document are as follows:

MEMORANDUM OF SECURITY AGREEMENT

Company: Dakota, Minnesota & Eastern Railroad Corporation  
337 22nd Avenue South  
Brookings, South Dakota 57006

Trustees: Norwest Bank Minnesota, National Association  
Corporate Trust Services  
Sixth and Marquette  
Minneapolis, Minnesota 55479-0069  
Attention: Corporate Trust Department

Raymond S. Haverstock  
c/o Norwest Bank Minnesota, National Association  
Corporate Trust Services  
Sixth and Marquette  
Minneapolis, Minnesota 55479-0069  
Attention: Corporate Trust Department

The description of the Equipment covered as of the date hereof by the aforesaid Memorandum of Security Agreement is as set forth on Exhibit A hereto.

A fee of twenty-one dollars (\$21.00) is enclosed. Please time and date stamp the enclosed copy of the enclosed document along with the extra copy of this letter as proof of filing and recordation of the enclosed documents and return the original and any extra copies of such documents and this letter not needed by the Board for recordation to:

John L. Tuohy, Esq.  
Chapman and Cutler  
111 West Monroe  
Chicago, Illinois 60603

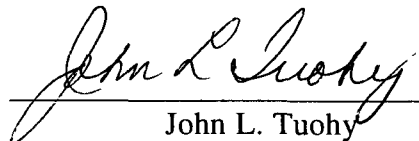
A short summary of the primary document to appear in the index follows:

MEMORANDUM OF SECURITY AGREEMENT:

Memorandum of Security Agreement between Dakota, Minnesota & Eastern Railroad Corporation, 337 22nd Avenue South, Brookings, South Dakota 57006 (the "*Company*") and Norwest Bank Minnesota, National Association, a national banking association, and Raymond S. Haverstock, an individual, as trustees, dated as of May 3, 1996, covering the obligations of the Company railroad rolling stock bearing the road numbers listed in the Schedule thereto.

If you have any questions or need further information, please do not hesitate to contact the undersigned (312-845-3752).

Sincerely,

  
John L. Tuohy

JLT/mh  
Enclosure

## **EXHIBIT A**

Six (6) General Motors Electro-Motive Division Model SD 40, 3,000 horsepower, dynamic brake equipped, diesel-electric locomotives bearing the following Unit reporting marks and numbers:

DME 4000 (formerly "UP 180")

DME 4001 (formerly "UP 181")

DME 4002 (formerly "UP 643")

DME 4003 (formerly "UP 608")

DME 4004 (formerly "UP 622")

DME 4005 (formerly "UP 631")

SURFACE TRANSPORTATION BOARD  
WASHINGTON, D.C. 20427-0001

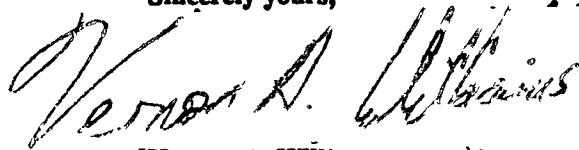
5/7/96

John L. Tuohy, Esq.  
Chapman and Cutler  
111 West Monroe  
Chicago, Illinois 60603

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 5/7/96 at 12:00PM, and assigned recordation number(s). 20051 and 20051-A.

Sincerely yours,

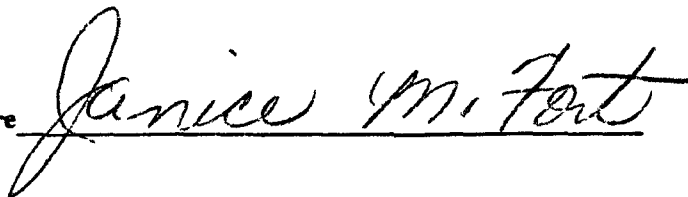


Vernon A. Williams  
Secretary

Enclosure(s)

\$ 42.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature



RECORDATION NO. 20051 FILED 1-420  
MAY 7 1996 -12 00 PM

**MEMORANDUM OF SECURITY AGREEMENT** STATE COMMERCE BANK

Memorandum of Security Agreement, made and entered into as of May 3, 1996 by and between DAKOTA, MINNESOTA & EASTERN RAILROAD CORPORATION, a Delaware corporation (the "*Company*"), and NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION, a national banking association (the "*Trustee*"), and RAYMOND S. HAVERSTOCK, an individual (the "*Individual Trustee*"), as trustees (collectively, the "*Trustees*").

**WITNESSETH:**

The undersigned have entered into that certain Trust Indenture and Security Agreement (the "*Security Agreement*"), dated as of May 1, 1996, by which the Company has granted a security interest in certain railroad rolling stock bearing road numbers as listed on Exhibit A attached hereto to the Trustees in order to secure the Company's performance of its obligations as described in the Security Agreement.

IN WITNESS WHEREOF, the parties hereto have each caused this memorandum to be duly executed by their respective officers duly authorized as of the date and year first above written.

DAKOTA, MINNESOTA & EASTERN RAILROAD  
CORPORATION

By Kurt Feaster  
Name: Kurt Feaster  
Title: Treasurer

Executed on this 2nd day of May, 1996.

NORWEST BANK MINNESOTA, NATIONAL  
ASSOCIATION

By Raymond S. Haverstock  
Name: Raymond S. Haverstock  
Title: Assistant Vice President

Executed on this 2nd day of May, 1996.

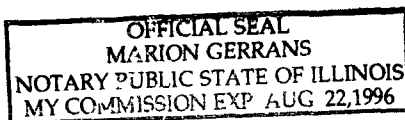
Raymond S. Haverstock  
Raymond S. Haverstock, as Individual Trustee

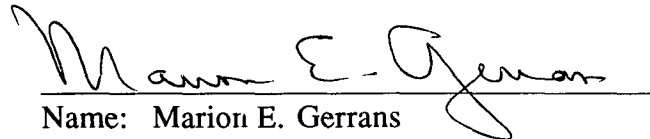
Executed on this 2nd day of May, 1996.

STATE OF ILLINOIS     )  
                                      )     SS.:  
COUNTY OF COOK     )

On this, the 2nd day of May, 1996, before me, a Notary Public in and for said County and State, personally appeared Kurt Feaster, who being by me duly sworn, says that (s)he is the Treasurer of DAKOTA, MINNESOTA & EASTERN RAILROAD COMPANY, that said instrument was signed on May 2, 1996 on behalf of said corporation by authority of its Board of Directors, and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said association.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.



  
Name: Marion E. Gerrans

Notary Public

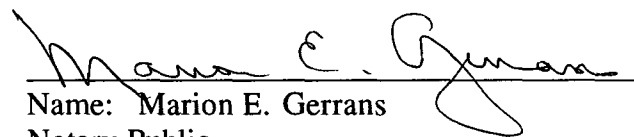
My Commission Expires: Aug 22, 1996  
Residing in Chicago, Illinois

STATE OF ILLINOIS     )  
                                      )     SS.:  
COUNTY OF COOK     )

On this, the 2nd day of May, 1996, before me, a Notary Public in and for said County and State, personally appeared Raymond S. Haverstock, who being by me duly sworn, says that (s)he is the Assistant Vice President of NORWEST BANK MINNESOTA, NATIONAL ASSOCIATION, that said instrument was signed on May 2, 1996 on behalf of said association by authority of its Board of Directors, and (s)he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.



  
Name: Marion E. Gerrans

Notary Public


My Commission Expires: Aug 22, 1996  
Residing in Chicago, Illinois

STATE OF ILLINOIS     )  
                                  )     SS.:  
COUNTY OF COOK     )

On this, the 2nd day of May, 1996, before me, a Notary Public in and for said County and State, personally appeared RAYMOND S. HAVERSTOCK, who being by me duly sworn, says that said he signed the instrument on May 2, 1996 and he acknowledged that the execution of the foregoing instrument was of his own free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.



  
Name: Marion E. Gerrans  
Notary Public  
My Commission Expires: Aug 22, 1996  
Residing in Chicago, Illinois

## **EXHIBIT A**

Six (6) General Motors Electro-Motive Division Model SD 40, 3,000 horsepower, dynamic brake equipped, diesel-electric locomotives bearing the following Unit reporting marks and numbers:

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